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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/04/07

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(1) Abe-Ozawa battle lies ahead of election year; Minshuto eyes opposition bloc's victories in 15 single-seat constituencies out of 29 in Upper House election

This year, the year of boar, there will be the Upper House election and the unified local elections - the combination that occurs once in every 12 years. Prime Minister Shinzo Abe is intent on winning the July Upper House election in order to realize a long-standing administration, while Minshuto (Democratic Party of Japan) President Ichiro Ozawa wants to force the ruling coalition into a minority to pave the way for taking over the reins of government. The number of candidates backed by both the ruling and opposition blocs is expected to decline in the unified local elections in April, a prelude to a full-fledged LDP-Minshuto battle in the summer. Attention is also focused on whether voter turnout will stop dropping.

The Upper House election will take place on July 22 unless the regular Diet session scheduled to open on Jan. 25 is extended. Both the ruling and opposition blocs will aim for a 122-seat majority including those not for grabs.

In order for the opposition camp to force the ruling coalition into a minority, it needs additional 18 seats, including the Fukushima and Okinawa by-elections in April. A key lies in single-seat constituencies, which now number 29. Ozawa eyes the opposition bloc's victories in 15 single-seat constituencies where Minshuto is expected to clash head on with the LDP.

"We are planning a forestry revitalization program in addition to the agriculture revitalization plan," Minshuto Acting President Naoto Kan said in a press conference late last year. Minshuto intends to come up with a manifesto (campaign pledges) incorporating primary industry measures, such as a farm income security system, with an eye on single-seat constituencies in rural areas.

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Minshuto is also trying to rock the LDP by fielding individuals associated with traditional LDP support organizations, such as a former president of the Junior Chamber, in the proportional representation portion.

The ruling bloc also puts high priority on single-seat races with the aim of maintaining a majority. "If the opposition bloc gets the Upper House presidency, not even a single bill will clear the Diet," LDP Upper House Caucus Chairman Mikio Aoki warned before other Upper House LDP members.

There is a popular belief that the LDP performs poorly in elections in the year of boar. The reason is because local assemblymen are too exhausted from the bulk of local elections in spring to fight the main Upper House election in summer. The LDP leadership will aim for enhanced election campaign cooperation with the New Komeito.

Clashes between the ruling and opposition blocs are inevitable in local elections ahead of the unified local elections as well as in the races in April. Ozawa has prohibited his party from jointly backing candidates with the ruling bloc in gubernatorial races and mayoral races of government-designated cities in a bid to strengthen local organizations ahead of the Upper House election. The Aichi gubernatorial race in February is expected to be a duel between the LDP and Minshuto for the first time in 32 years.

Promising candidates are clearly in short supply, however. Well-known incumbent lawmakers running in local elections are attracting attention. For instance, Kenji Kitahashi will run in the Kitakyushu mayoral race in February, Satoshi Arai in the Hokkaido gubernatorial race in April, and Takuya Tasso in the Iwate gubernatorial race.

The LDP keeps Minshuto in mind in races in big cities, such as Tokyo. The LDP Tokyo chapter has decided to endorse Gov. Shintaro Ishihara seeking his third term. But some LDP members think that party headquarters should see how things go for a while, given the Tokyo metropolitan government's dubious payments to Ishihara's fourth son to cover his travel expenses.

Meanwhile, some Minshuto members are eager to see Kan run in the

Tokyo gubernatorial race to put an end to the Ishihara administration to give a boost to the Upper House election. Banri Kaieda, who lost his Diet seat in the previous election, has also been mentioned as a prospective candidate.

Government to consider "reunifying" local elections

The government will begin considering reunifying local elections in the wake of series of municipal mergers and dissolutions of local assemblies. The "unified ratio" indicating the rate of local elections being carried out in tandem with unified local elections that occur once in every four years has been dropping yearly. The government will aim for unified election days by improving relevant legislation with the view to raising voter turnout and reducing election expenses.

Elections were held in all municipalities in the first unified elections in 1947. In the upcoming 16th unified elections, the unified ratio is expected to drop to a record 29%. The objects of the unified local elections law are local heads whose terms of office expire between March 1 and June 10. The unified ratio falls because elections always follow municipal mergers and the

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resignations of local heads.

(2) Drastic prediction for Japanese politics in 2007: Minshuto cannot obtain power even if it wins Upper House election

TOKYO SHIMBUN (Page 2) (Full)
January 4, 2006

Question: What is the major target of Minshuto (Democratic Party of Japan) this year?

Answer: It is of course having the opposition camp trade places with the ruling camp in the Upper House through this summer's Upper House election. The main opposition's action plan for 2007 stresses that securing more Upper House seats than the ruling coalition's is the only goal for the party this year. The party intends to regain its momentum, which was lost after it suffered a crushing defeat in the 2005 House of Representatives election.

Question: President Ichiro Ozawa appears to be putting heart and soul into it, doesn't he?

Answer: Since assuming the presidency in April 2006, Ozawa has carefully worked on preparations for the Upper House election in making policies and fielding candidates. Of the 29 single-seat constituencies, which are believed to decide which side will be victorious in the election, the party has picked candidates for about 20 constituencies. Minshuto is now therefore ready to fight against the ruling bloc.

Question: How many seats does Minshuto need to deprive the ruling coalition of a majority in the Upper House?

Answer: In the Upper House, the ruling Liberal Democratic Party (LDP) and its junior coalition partner New Komeito have 136 seats, including the president's seat, an excess of 15 seats over half of the Upper House (121 seats). If opposition parties, including Minshuto, increase by 16 seats, the seats now held by the ruling and opposition camps would be reversed. Assuming that other opposition parties will not boost their seats, Ozawa has set a goal that his party would obtain more than 50 seats of the 121 seats up for reelection.

Question: How about the possibility?

Answer: The seats up for election were grabbed in the 2001 Upper House election in which the LDP overwhelmingly won, taking advantage of the Koizumi boom. Thinking about declining public support ratings for the Abe cabinet due to such issues as the reinstatement of postal rebels into the LDP and the government's pre-selecting questioners for town meetings, it seems difficult for the LDP to keep the present number of seats. In short, Minshuto is now in a

situation where it will be able to substantially boost its seats in the upcoming election.

Question: What is Ozawa's plan in case his party defeats the ruling coalition?

Answer: Ozawa does not speak a lot, but he will probably try to kill important government-sponsored bills one after another. His strategy of doing so is to force Abe to dissolve the Lower House for a snap election and then to obtain the reins of government in a Lower House election. He will probably shake the Abe cabinet by every means

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available, including a censure motion against the prime minister.

Question: Will a change in government be realized before the end of this year at the earliest?

Answer: It is difficult to say so, however. Even if the opposition secures more seats than the ruling coalition, chances are that the ruling camp will strengthen its effort to collect as many Upper House seats as possible.

Question: What does it mean?

Answer: It is said that the LDP's only goal is to maintain the state of being a ruling party. So in order to avoid falling into the opposition, the LDP will likely desperately try to regain a majority in the Upper House by consulting with individual opposition lawmakers.

Question: Such an action will probably come under fire by the public.

Answer: You said it! There is a possibility that the LDP will not let Upper House members on its side join it, but it could form a parliamentary grouping with them. There is another possibility that the LDP would join hands with some Minshuto members in a bid to prevent the opposition from killing the government-drafted bills.

Question: Are there any Minshuto Upper House members who will be lured by such a temptation?

Answer: Minshuto is said to be a party made of lawmakers having different ideas and hailing from different parties. In terms of security policy, the conservative group and a group supporting the Constitution are seriously at odds. If the LDP gives key cabinet and party posts, there would be some Minshuto members who let the LDP tempt them. One LDP lawmaker actually said: "If we are short of a majority in the Upper House, we will lure several Minshuto members." One Minshuto lawmaker is concerned that some members may go along with former trade minister Takeo Hiranuma, who left the LDP after opposing a set of bills related to postal privatization.

Question: Is Minshuto supposed to maintain solidarity under Ozawa's leadership?

Answer: Yet, there is growing unhappiness with Ozawa in Minshuto. For example, basic policies that Ozawa came up last year with a policy of maintaining the current consumption tax rate, shifting the party's conventional stance of hiking the consumption tax rate to cover funding sources for the basic pension. Many in the party have lamented that the pension policy was the party's showcase. Minshuto cooperated with the Japanese Communist Party (JCP) in the Okinawa gubernatorial election last November. Some party lawmakers are questioning about linking up with opposition parties.

Question: Discord in Minshuto has never end, doesn't it?

Answer: Minshuto will likely fail to force the Abe administration to dissolve the Lower House even though it won the Upper House. A source familiar with the main opposition party made this pessimistic view that there would less than ten percent of the possibility that the party would force Abe to dissolve the Lower House.

Question: What will happen if Minshuto is defeated in the Upper

House race?

Answer: Ozawa's grip on the party will weaken drastically. The possibility is strong that a move to removing Ozawa from his post will appear. Acting President Naoto Kan and Secretary General Yukio Hatoyama, who have supported Ozawa, will likely encounter increased criticism.

If Ozawa, who is regarded as the last person who will be able to regain the party's strength, falls from the position, many party members might leave the party, giving up on Minshuto's fate. If so, a possibility of leading to a move of political realignment will unavoidably strengthen.

Question: What should Minshuto do to prevent further internal confusion?

Answer: The largest opposition party should strengthen the momentum of Ozawa as much as possible before the Upper House election by winning such unified local elections as the April Tokyo gubernatorial race, as well as by thoroughly pursuing the Abe government in the upcoming ordinary Diet session.

(3) Upper House LDP lawmakers who won seats by riding on crest of "Koizumi boom" may find it difficult to win election this year

NIHON KEIZAI (Page 3) (Full)
January 4, 2007

Sixty-six Liberal Democratic Party (LDP) seats will be up for grabs in the Upper House election this summer. Those 66 LDP members won seats in the 2001 election by riding on the coattails of then Prime Minister Junichiro Koizumi.

In the event the LDP's junior partner, New Komeito, maintains its current number of seats, the LDP will need 50-52 seats in order for the ruling coalition to keep a majority of Upper House seats, including those not contested this time. The LDP is expected to possibly lose some seats, but that should not pose any serious problem for the party, although the situation depends to some extent on the outcomes of Upper House Fukushima and Okinawa by-elections in April.

The "Koizumi boom" in 2001 was unusual, to say the least. In the election that year, the LDP amazingly won 25 out of 27 single-seat constituencies. It would be too much to expect the LDP to accomplish a similar feat in the upcoming election.

In the 2004 Upper House election, the LDP won only 49 seats due to the absence of momentum at that time from the Koizumi administration. Out of the 27 single-seat constituencies, the party won 14 and lost 13 races. That precedent points to difficulty for the LDP-New Komeito coalition to maintain a majority under the Abe administration, which has been losing popularity at a rapid pace.

(4) Scope column: Will Koga, Tanigaki, and Aso factions rally to create "grand Kochikai" group a half century after the foundation of that party faction by Prime Minister Ikeda

TOKYO SHIMBUN (Page 2) (Full)
January 4, 2007

Kei Sato

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The idea has emerged to launch a grand "Kochikai" group in the Liberal Democratic Party (LDP) with the rallying together of the Koga, Tanigaki, and Aso factions, all of which are descended from the former Miyazawa faction (which was called "Kochikai"). Mainstay and junior lawmakers of the three factions are trying to promote that move to bring them all together, leveraged by a study group

they will launch possibly by the end of the month. But whether that idea will be realized remains an open question, because of the ulterior motives of veteran lawmakers vying to secure leadership in the super faction, if it should be formed. This year will mark the 50th anniversary of the foundation of the Kochikai -- once a prestigious faction -- by the late Prime Minister Hayato Ikeda. Will the idea of reviving the prestigious faction be realized at the time of the milestone year for that faction, or will it simply vanish?

The study group was planned by 30 or so mid-level and junior lawmakers elected six times or below to the Diet, including former Environment Minister Shunichi Suzuki. The forum will meet once a month and exchange views with those who have the experience of working as interns, as well as junior bureaucrats. The forum also plans to host in May a commemorative symposium marking the 50th anniversary of the foundation of Kochikai.

Mid-level and junior lawmakers have been meeting frequently since early last year to look for ways for the grand Kochikai, after being formed, to put up a unified presidential candidate in the ruling Liberal Democratic Party (LDP) presidential race last September. But both former Finance Minister Sadakazu Tanigaki, who heads the Tanigaki faction, and Foreign Minister Taro Aso, who heads the Aso faction, ran in the presidential race. On the other hand, the Koga faction voted for Shinzo Abe in the presidential race. So, the idea of creating a grand Kochikai faded away accordingly.

However, if the three factions come together, the membership would grow to about 80 lawmakers. This figure would be a solid base for the candidate the grand Kochikai would field in the next presidential election. As to why a study group has now been established, the reason is because "there is no other choice but to form a grand Kochikai in order to establish a presence in a political situation of selecting a successor to Abe," according to a junior lawmaker from the Koga faction.

Unlike mainstay or junior lawmakers, veteran lawmakers want desperately to secure leadership over such a faction.

Aso, who late last year launched his own faction, wants to set in motion full-fledged talks among the three factions to form a grand Kochikai. Aso has been moving closer to LDP General Council Chairman Yuya Niwa, a member of the Koga faction who is positive about the idea of the three factions forming a super faction.

The Aso faction is the smallest grouping in the LDP with a membership of 15. Perhaps for this reason, he is eager to form a grand Kochikai, for if it is organized, it would become the foothold he needs to succeed Abe.

However, Tanigaki, who still clings to the idea of succeeding Abe, is negative about the rallying of the three factions under the leadership of Aso.

In addition, former LDP Secretary General Makoto Koga, who heads the Koga faction, is also eager to be the faction's leader. At the end

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of last year, Koga hosted a party commemorating former Prime Minister Ikeda at Ikeda's former residence and publicized that he was the "legitimate" successor to Ikeda. Meeting with Tanigaki at times, Koga is trying to check the moves of Aso and Niwa.

(5) Probing the economic agenda for 2007 -- Interview with Minister of State for Economic, Fiscal Policy Hiroko Ota: Accelerated reform is the key to 10-year economic boom

NIHON KEIZAI (Page 5) (Full)
January 4, 2007

-- A sense that the economy is slowing down has emerged.

"The ripple effect from the recovering economy on companies and household accounts has been at a standstill since last summer, so consumption also has not been making progress. Still, the job market for new graduates is in good shape, and there is a strong sense that

jobs are going unfilled. Although there is need to improve treatment of non-regular employees and to beef up occupational training for young people, I don't think the economy itself is just marking time."

Heighten productivity

-- What is needed to achieve a continued economic boom for more than a decade on par with the US and Britain?

"Britain's long-term economic boom was linked to its making the economic structure completely open. Japan, as well, is racing to sign economic partnership agreements EPAs) but the key to a 10-year economic boom lies in moving ahead with regulatory and labor-market reforms and raising the potential growth rate of the economy."

-- In order to achieve such, what is on the agenda this year?

"This year's keywords are 'heightened productivity.' The problems with the Japanese economy currently can be traced to the fact that its potential is not being used. With the population declining, can we maintain our livelihoods? Coming from that viewpoint, the Economy and Fiscal Council will make a complete review of policy measures and draft and implement by April a comprehensive program that will include measures to heighten productivity in every sector.

"Starting in fiscal 2012, the baby-boomer generation will turn 65, making it very difficult to carry out such measures as reform of the social security-related system (that would be accompanied by pain). Fixing our eyes on that, we must resolutely carry out reforms over the next five years and build a model for attaining growth, while keeping our fiscal situation sound. We don't have much time."

-- Can you use increased tax revenues as leverage?

"It seems possible to achieve the government's goal -- even reach it early -- of having the basic balance in the black by fiscal 2011, without raising taxes.

"It is conceivable that we will reach the government's goal earlier in the future than expected. But if we think that by raising taxes we can reach it faster, tax revenues would plummet, and we would then be talking about compiling a supplemental budget and loosening our policy of reducing expenditures.

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"In addition, if we just cut expenditures until fiscal 2011, it would not be backed by system reform. We should first think about giving highest priority to achieving the five-year plan for cutting expenditures (11.4 trillion yen to 14.3 trillion yen), as set last year. It was not our intention that the argument that raising the consumption tax was not necessary (with unit fiscal-year tax revenues rising) emerged. In order to balance fiscal reconstruction and the handling of fluctuations in the economy, it is conventional wisdom internationally that the only way to do so is to abolish thinking in terms of single fiscal-year units and manage from a medium-term perspective."

-- There are indications that the prime minister is not displaying leadership in your advisory council.

"It is not true that compared to the Koizumi administration, the instructions coming from Prime Minister Shinzo Abe have dropped in number. The prime minister instructed us to constrain increased outlays in the supplemental budget for fiscal 2006 with the exception of measures to deal with natural disasters and the like. Even in the Koizumi administration, in every area, it was only at the last stage after five or six discussions that the prime minister would issue his order. With the administration having been in office for three months, discussions on seven important topics have finally been wrapped up. We are not yet at the stage of an instruction being given. I think that as we move toward compiling the basic big-boned policy guidelines in June, the prime minister's leadership will be displayed."

Cooperation with the government's tax research council

Will there be specific discussion this year of tax system reform?

"Prior to specific discussion starting in the fall of such issues as the consumption tax, the council will coordinate with the government's Tax Research Council and study what the big picture of the tax system should be. I would like to include that in the policy guidelines. We will pile up our discussions from our inherent perspectives on such topics as what the tax system should be like, with the council looking at the macro-economy and the tax council looking at tax policy. I would like to cooperate closely with the new tax council chairman, Yutaka Kosai."

-- It has been rumored that the Bank of Japan might possibly raise interest rates soon. Will the government seek an extension of the resolution on changes in monetary policy?

"I can only say we will think about it when the time comes."

(6) Editorial -- "Defense Ministry": No shift in basic policy

ASAHI (Page 3) (Full)
January 4, 2007

The Defense Agency (JDA) will be elevated as of Jan. 9 to a ministry. This is a significant turning point in the history of JDA since it and the Self-Defense Forces were founded in 1954.

Reflecting on prewar period when military authorities twisted politics in their favor, Japan since the end of World War II has placed strict restrictions on the SDF and made a clear distinction between the SDF and so-called regular armed forces. Perhaps as a demonstration of a constrained approach to military affairs at home

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and abroad, Japan did not give a military status to the administrative office in charge of defense affairs.

Current JDA Director-General Fumio Kyuma, who will become the first defense minister, has commented: "We won't shift the basics of the defense policy, such as the defense-oriented posture and the ban on overseas troop deployment." We hope no shift will occur in the foundation of pacifism the postwar Japan has defended so far, as he has stated.

What we are concerned about is the relationship between this upgrade and the ongoing moves for constitutional revision.

The Abe cabinet has pledged to amend the Constitution. The ruling Liberal Democratic Party (LDP), to which Prime Minister Abe belongs, has drafted a new constitution, which stipulates Japan shall have a "self-defense army" (jieigun). The Abe cabinet appears to be trying to remove a number of restrictions binding the SDF and the defense policy so that the SDF will come closer to being "ordinary" armed forces.

But we doubt whether doing so will actually lead to serving Japan's best interests.

Think about why the SDF has been accepted by the Japanese public as well as other countries of the world. First, the SDF has not departed from the defense-oriented principle. Second, the SDF has constantly achieved results on such occasions as mobilization to deal with natural disasters. Moreover, the SDF has continued its activities overseas under the principle of not using armed force.

Based on the Constitution's Article 9, Japan shall have troops different in nature from the so-called ordinary military for national self-defense purposes, as well as for international contributions. This characteristic of the SDF must be retained in the future, as well.

Once JDA is promoted to a ministry, JDA says, SDF personnel will have more pride in doing their jobs. If that is the case, we want to see pride asserted in the SDF operating in the same way it has since

the forces were created after the war.

We also have another matter of concern related to civilian control over the SDF. Even after the JDA is upgraded to a ministry, we think civilian control over the SDF should be tightly protected.

A quarter century ago, one JDA director-general produced giggles in his Diet reply to questions from opposition parties when he said, "This is a serious question. I will have the Defense Policy Bureau chief answer the question."

The SDF's equipment and functions have become more complicated at present than in those days. Japan and the US have deepened defense cooperation, and the international environment has become more intricate. So, politicians must train their senses and brains hard. Otherwise, they will not be able to surpass uniformed SDF officers in expertise. As a result, they may be swayed by their views.

Uniformed officers are becoming influential and assertive through the US force realignment and SDF dispatches to Iraq. Their expertise is needless to say essential. But the role of politicians is to examine it and make a judgment on it from a broad perspective.

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Our concern at this point is that the number of politicians who come out with bold remarks despite their lack of knowledge and insight is on the rise. We want politicians to be well aware that their responsibility to the Japanese people will be even heavier now.

DONOVAN